



# NEWS RELEASE

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CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE

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**TREASURER ANGELIDES WINS CALPERS APPROVAL OF INITIATIVE TO  
INVEST UP TO \$500 MILLION IN STOCKS OF ENVIRONMENTALLY  
RESPONSIBLE COMPANIES, ANOTHER KEY PLANK OF HIS 'GREEN  
WAVE' ENVIRONMENTAL INVESTMENT INITIATIVE**

*Groundbreaking Investment Program Acknowledges 'Positive Correlation'  
Between Environmental Factors and Stock Price Performance*

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) agreed today to launch a new investment effort of up to \$500 million in the stocks of environmentally responsible companies, a key component of Treasurer Phil Angelides' landmark *Green Wave* environmental investment initiative. The *Green Wave* initiative is designed to bolster financial returns, create jobs and clean up the environment.

CalPERS, the nation's largest public pension fund, will invest up to \$500 million in environmentally screened stock funds – either directly into mutual funds with proven track records, or through leading active public equity investment managers with proven track records. In making the commitment, CalPERS investment officers pointed to “a moderately positive correlation” between environmental factors and stock price performance. Indeed, an increasing number of recent investment research studies have shown that many environmentally screened funds are out-performing their non-screened counterparts.

Angelides said investing in such funds will not only provide CalPERS with the opportunity for enhanced financial returns, but will also send a strong signal to corporations about the added value of responsible, forward-looking environmental practices. Under Angelides' proposal, the performance of any manager selected must equal or exceed that of the fund's existing, active managers.

“Now is the time for California to catch the ‘*Green Wave*’ of smart, environmental investments and responsible corporate environmental stewardship,” the Treasurer said. “The evidence is in: Publicly traded companies that act in an environmentally responsible manner do not just clear the air, land and water of pollutants, but also improve their bottom line for shareholders.”

Today's action marks the second time in two months that CalPERS has adopted key planks of the Treasurer's *Green Wave* initiative. On March 15, the CalPERS Investment Committee voted unanimously to make an initial investment of up to \$200 million over the next few years in the “clean” technology sector. CalPERS will join with private sector

partners to make private equity investments, venture capital and project financing available, with commitments potentially reaching several hundred million dollars over the next several years.

The aim is to provide CalPERS with positive, long-term returns, while at the same time creating jobs and economic growth in California in the years ahead. CalPERS' new Environmental Technology Program will look to invest in technologies such as renewable energy, fuel cells, water purification and conservation, waste recycling and processing, and re-use of materials.

In a related action today, CalPERS also agreed to join chief state investment officials and labor pension leaders from across the country – including Treasurer Angelides – in urging the U.S. Securities and Exchange Commission (SEC) to develop and enforce more robust corporate environmental disclosure requirements. CalPERS' action today follows an April 14 letter that Angelides and the others sent to SEC Chairman William Donaldson, outlining that very request.

The Treasurer has also proposed that the California State Teachers' Retirement System (CalSTRS) – the nation's third largest pension fund – adopt the *Green Wave* initiative, including the same two investment programs adopted by CalPERS. Angelides sits on the boards of both CalPERS and CalSTRS.

The environmentally screened equity fund and the Environmental Technology investment programs fulfill two of the four objectives of Angelides' *Green Wave* initiative, which he unveiled last month at the Palo Alto headquarters of Nanosolar Inc., a maker of cutting edge, lightweight plastic solar cells.

The Treasurer's four-pronged initiative calls on CalPERS and CalSTRS to marry the jet stream of finance and capital markets with public purpose by committing \$1.5 billion to investments in cutting-edge technologies and environmentally responsible companies. CalPERS and CalSTRS are expected to take action on the remaining aspects of the *Green Wave* initiative later this summer and fall.

In addition to proposing that CalPERS and CalSTRS invest a combined \$1 billion in publicly traded environmentally screened funds and \$500 million in private equity investments in environmental technology, the *Green Wave* initiative also calls on the two public pension funds to:

- **Demand Environmental Accountability and Disclosure.** Using their financial clout in the marketplace, and building on their track record of corporate governance leadership, CalPERS and CalSTRS would prod corporations to provide meaningful, consistent and robust reporting of their environmental practices, risks and potential liabilities. Through a new environmental governance program, CalPERS and CalSTRS would encourage companies – through dialogue, shareholder resolutions and other actions – to improve their environmental operations and reduce their environmental risks and liabilities. As part of this effort, California's pension funds would also join with other major U.S. investors to urge more comprehensive corporate reporting of environmental

practices and liabilities. The coalition's effort will include such actions as the April 14 letter to SEC Chairman Donaldson, urging the SEC to strengthen environmental disclosure rules, and seeking corporate reporting on such critical financial factors as climate risk assessment and global warming.

- **Audit real estate portfolios to boost long-term value.** CalPERS and CalSTRS would undertake a comprehensive audit of their respective real estate investments to determine whether the investments are maximizing their opportunities to use clean energy, energy efficiency and green building standards and practices that reduce long-term costs and boost long-term value. CalPERS and CalSTRS have nearly \$16 billion invested in real estate and property in California, the nation and 22 countries throughout the world. CalPERS and CalSTRS own nearly 160 million square feet of office and industrial space alone.

The *Green Wave* initiative is an outgrowth of a yearlong series of roundtable discussions sponsored by Angelides with environmental technology and financial leaders across the nation, and of the Institutional Investor Summit on Climate Risk held last November at the United Nations in New York, presented by CERES, a national coalition of investment funds, environmental organizations and public interest groups. The Treasurer was a speaker at that summit.

Please visit the Treasurer's web site, at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), for additional information related to today's press release, including a fact sheet on "Investing in Stocks of Environmentally Responsible Companies," and the April 14 letter to SEC Chairman William Donaldson from California Treasurer Angelides and other state chief investment officers.

## Investing in Stocks of Environmentally Responsible Companies

- **Companies that engage in environmentally responsible practices can achieve better financial results, according to a number of studies.**
  - One report produced by Light Green Advisors, Inc., a Seattle-based investment advising firm, examined 20 leading empirical studies that examined the correlation between environmental and financial performance covering a 10-year range of research. Among the findings, it is reported that companies that go beyond legal compliance with environmental regulations realize stronger stock price gains and market value growth than the S&P. In contrast, laggard companies that are threatened by actual or impending environmental laws tended to experience weaker returns. (Source: Christopher J. Murphy, “The Profitable Correlation Between Environmental and Financial Performance: A Review of the Research.” Light Green Advisors, Inc. (2002).)
  - Another study, by the University of Michigan’s William Davidson Institute, analyzed data from the mid-1990s on the stock market performance and environmental policies of 89 major U.S. mining and manufacturing companies with production facilities in developing nations, finding that the market valuation of companies with strict global environmental standards was some 80 percent higher, relative to their physical assets, than that of companies using local standards for their operations. (Source: Glen Dowell, Stuart Hart, Bernard Yeung, “Do Corporate Global Environmental Standards Create or Destroy Market Value?” *Management Science*, Vol. 46, No. 8 (August 2000).)
  - Shares of companies with good sustainability records perform better than those of their less socially responsible competitors, according to a study of over 600 companies for the period December 31, 1999 to October 27, 2003, by Germany’s Oekom Research independent sustainability rating agency, in conjunction with Morgan Stanley Dean Witter. (Source: *Global Finance* (January 2004).)
  - Studies indicate that investment funds comprised of companies with superior environmental profiles tend to be more profitable than the S&P 500. Environmental screening appeared to raise, rather than reduce, financial returns of investment portfolios. (Source: See, for example, John Buffington and John Ganzi, “2000 Annual Review of Eco-Efficiency Funds,” Finance Institute for Global Sustainability (2000); Ralph Earle, *The Emerging Relationship Between Environmental Performance and Shareholder Wealth*,” Assabet Group (2000), as cited in Murphy (2002).)

- **The Domini Social Equity 400 Index has outperformed the S&P 500 on a total-return basis and on a risk-adjusted basis since its inception in May 1990.** (Source: CBS MarketWatch, January 14, 2004, quoting Peter Kinder, president of KLD Research and Analytics.)
- **Environmentally and socially screened portfolios grew by 7 percent despite the market downturn of 2001 and 2002**, moving these funds from the margins to the mainstream of the financial markets. In 2002, environmentally screened mutual funds held nearly \$29 billion in assets. (Source: Social Investment Forum, “2003 Report on Socially Responsible Investing Trends in the United States,” (updated December 2003).)